

FISCAL NOTE

SB 2448 – HB 2769

March 17, 2006

SUMMARY OF BILL: Allocates any state and local sales and use tax revenue, generated at any sports facility (Mid-South Coliseum [MSC]) constructed prior to 1965 and requiring renovations to become compliant with the federal Americans with Disabilities Act, to the municipality (City of Memphis-Shelby County) responsible for the operation and maintenance of such facility (MSC). Allocates any state and local sales and use tax revenue, generated at any facility (The Pyramid) that has outstanding bond debt and was constructed primarily for use as a sports facility prior to 1990, but is primarily used as an entertainment or commercial venue today, to the municipality (City of Memphis – Shelby County) responsible for the operation and maintenance of such facility (The Pyramid).

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Net Impact - \$87,200 – Recurring
Increase State Expenditures - \$8,250 One-Time

Decrease Local Govt. Revenues – Net Impact - \$35,750 – Recurring

Other Fiscal Impact – The actual fiscal impact of this bill is dependent upon the level of taxable sales that will occur at the identified facilities in the future. To the extent taxable sales are higher than what has been estimated in the assumptions of this fiscal note, annual allocations to these facilities could be more, thus increasing the amounts that state and local governments would have to contribute.

Assumptions:

- Municipality means any incorporated city, county or incorporated city and county located in the State of Tennessee; provided the county has a population exceeding 800,000 people according to the 2000 census (Shelby County).
- Allocations shall include the amount of state and local sales tax revenue derived from the sale of admissions to events, the sale of food and drink sold on the premises, parking charges, related services, and the sale of any authorized franchise goods and products made by any professional sports franchise utilizing such facilities.
- The apportionments and distributions shall continue until payment for all ADA renovations have been made to any applicable facility (MSC), and until the outstanding bond debt has been retired on any applicable facility (The Pyramid).
- Shelby County and the City of Memphis continue to be the responsible entities for these two facilities.
- The Office of Intergovernmental Relations for the City of Memphis estimates taxable sales of \$1.5 million at MSC and \$85,000 at the Pyramid for 2006.

- Taxable sales remain constant.
- No portion of revenue derived from the increase in the rate of sales and use tax allocated to educational purposes pursuant to the Acts of 1992 or from the increase in the rate from six percent (6%) to seven percent (7%) pursuant to the Acts of 2002 shall be distributed to any municipality.
- The decrease to state revenues (generated from taxable sales at the MSC) is estimated to be \$82,500 per year ($\$1.5 \text{ million} \times 5.5\% \text{ state rate} = \$82,500$).
- The decrease to state revenues (generated from taxable sales at the Pyramid) is estimated to be \$4,700 per year ($\$85,000 \times 5.5\% \text{ state rate} = \$4,675$).
- Net decrease to state revenues is estimated to be \$87,200 ($\$82,500 + \$4,700 = \$87,200$).
- The decrease to local government revenues (generated from taxable sales at the MSC) is estimated to be \$33,750 per year ($\$1.5 \text{ million} \times 2.25\% \text{ local option rate} = \$33,750$).
- The decrease to local government revenues (generated from taxable sales at the Pyramid) is estimated to be \$2,000 per year ($\$85,000 \times 2.25\% \text{ local option rate} = \$1,913$).
- Net decrease to local government revenues is estimated to be \$35,750 ($\$33,750 + \$2,000 = \$35,750$).
- One-time state expenditures for computer programming and software modifications is estimated to be \$8,250.
- To the extent taxable sales at MSC and/or the Pyramid increase in the future, allocations made to these facilities could be more.

Note (1): Cost estimates for making the Mid-South Coliseum ADA compliant range from \$5.0 million to \$12.0 million.

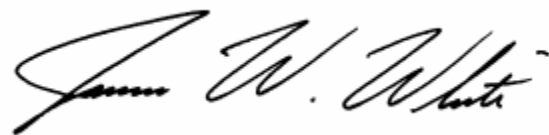
Note (2): Shelby County owes approximately \$20.0 million toward general obligation bonds on the Pyramid

Note (3): The City of Memphis owes approximately \$10.0 million toward general obligation bonds on the Pyramid.

Note (4): Others local sources of funds may be earmarked and available for the ADA renovations required of the MSC and for retiring general obligation bond debt on the Pyramid for Shelby County and the City of Memphis.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director